

Message Text

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ORIGIN NEA-11

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R 112231Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI
INFO AMEMBASSY KUWAIT
AMEMBASSY JIDDA
AMCONSUL DHAHRAN
USLO RIYADH

UNCLAS STATE 120916

E.O. 11652: N/A

TAGS: EINV

SUBJECT: FINANCIAL GENERAL BANKSHARES, INC. SUIT

1. MAY 11 WASHINGTON POST REPORTS DEVELOPMENTS IN FINANCIAL
GENERAL CASE INVOLVING INVESTORS FROM UAE AND KUWAIT.
FOLLOWING IS FULL TEXT OF STORY:

2. QUOTE: JUDGE ORDERS ARAB INVESTORS TO D.C. COURT.
THE FOUR ARAB INVESTORS WHO OWN NEARLY 20 PERCENT OF
FINANCIAL GENERAL BANKSHARES INC. WILL HAVE TO COME TO
WASHINGTON TO TESTIFY ABOUT THEIR PURCHASE OF THE STOCK,
U.S. DISTRICT COURT JUDGE OLIVER GASCH RULED YESTERDAY.

JUDGE GASCH REFUSED A REQUEST BY ATTORNEYS FOR THE FOUR TO
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BLOCK FINANCIAL GENERAL FROM QUESTIONING THEM.

FINANCIAL GENERAL IS SUING THE FOUR ARABS, BERT LANCE AND
OTHERS IN AN ATTEMPT TO PREVENT THEM FROM GAINING CONTROL OF
THE DOLS 2.2 BILLION BANK HOLDING COMPANY, THE BIGGEST IN
WASHINGTON.

THE MIDDLE EASTERN DEFENDANTS ARE SHEIKH KAMAL ADHAM, FORMER HEAD OF SAUDI ARABIA'S INTELLIGENCE SERVICE; FAISAL SAUD AL-FULAIJ, FORMER PRESIDENT OF KUWAIT AIRLINES; AND

SHEIKH SULTAN BIN ZAID AL-NAHYAN AND SHEIKH MUHAMMED BIN ZAID AL-NAHYAN, TWO SONS OF THE RULER OF ABU DHABI. BECAUSE SHEIKH MUHAMMED IS ONLY FOUR YEARS OLD, HE IS REPRESENTED BY THE FAMILY FINANCIAL ADVISER, ABDULLAH DARWAISH.

DARWAISH AND THE THREE OTHERS WERE ORDERED TO COME TO WASHINGTON TO GIVE SWORN DEPOSITIONS "AS SOON AS CONVENIENTLY MAY BE DONE."

DURING HEARINGS ON THE QUESTION LAST WEEK, GASCH COMMENTED THAT "SOMEONE WHO BUYS A BANK IN WASHINGTON OUGHT NOT TO OBJECT TO COMING TO WASHINGTON."

ALTHOUGH THE JUDGE RULED FOR THE COMPANY IN ORDERING THE ARAB INVESTORS TO TESTIFY, HE REJECTED ITS REQUEST TO BLOCK FURTHER ACTIONS BY THE FOUR TO TAKE OVER FINANCIAL GENERAL UNTIL AFTER THE TESTIMONY IS GIVEN.

TO SETTLE A COMPLAINT BY THE SECURITIES AND EXCHANGE COMMISSION CHARGING THEY ACTED ILLEGALLY IN SEEKING CONTROL OF FINANCIAL GENERAL, THE DEFENDANTS AGREED TO MAKE A UNCLASSIFIED

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PUBLIC TENDER OFFER FOR ALL THE COMPANY'S STOCK.

THE STOCK THE GROUP NOW OWNS WAS PURCHASED IN A SERIES OF TRANSACTIONS THE SEC SAID VIOLATED SECURITIES LAW BECAUSE THEY WERE NOT REPORTED PUBLICLY.

PUBLIC REPORTS ON THE PURCHASE HAVE BEEN FILED NOW, BUT FINANCIAL GENERAL LAWYERS CONTEND THEY ARE INACCURATE. GASCH SAID THE COMPANY HAS A RIGHT TO QUESTION THE ARABS ABOUT THE REPORTS.

DEFENSE ATTORNEYS CONTENDED THE COMPANY'S DEMAND THAT THE FOUR ARABS COME TO WASHINGTON WAS HARASSMENT INTENDED TO DISCOURAGE THE PUBLICITY-SHY INVESTORS FROM GOING THROUGH WITH THEIR TENDER OFFER.
END QUOTE.

3. DEPARTMENT WILL ENDEAVOR TO KEEP POSTS INFORMED OF DEVELOPMENTS IN THE CASE.
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